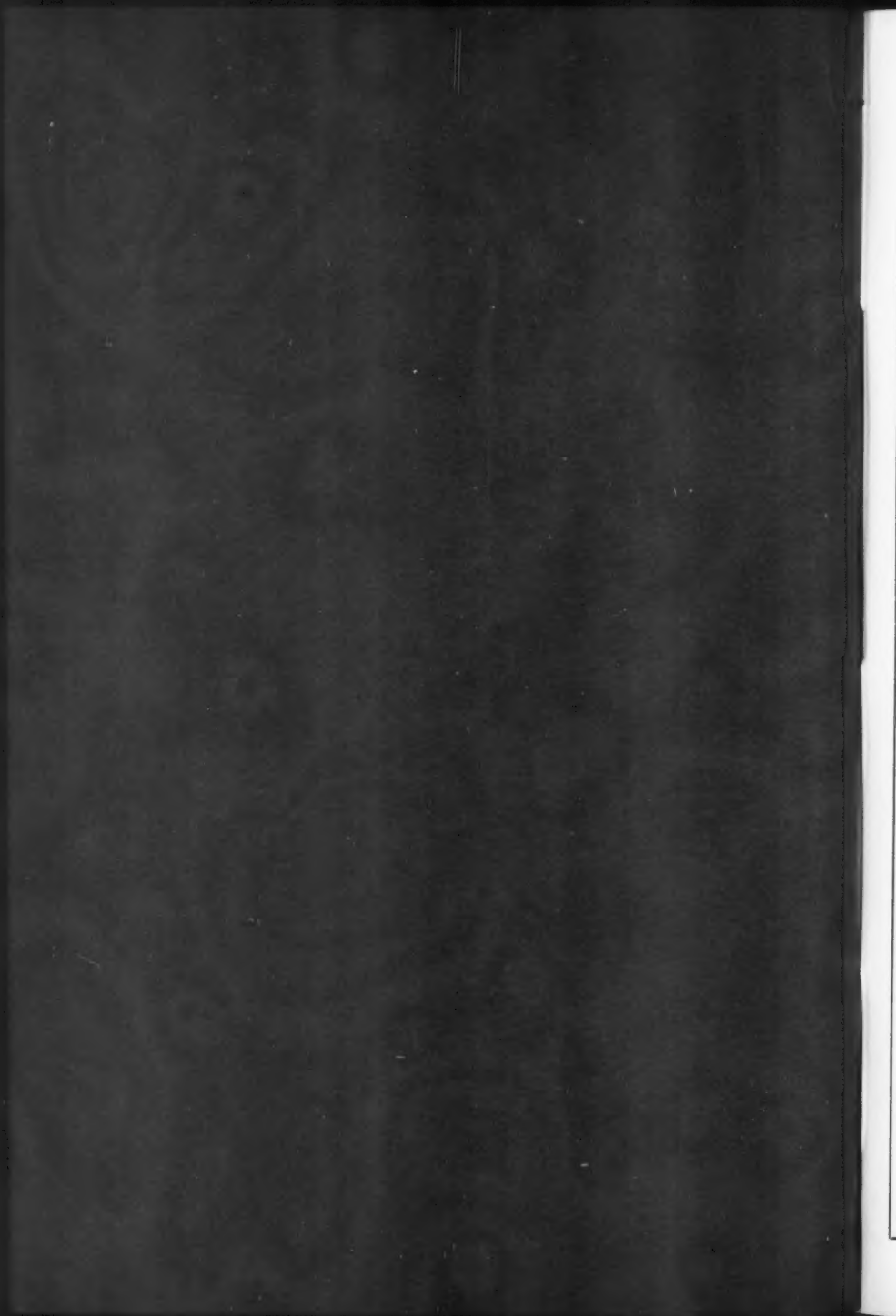


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NUMBER THREE

The Rainbow

By Dves H. Buhler

(Boston Office)



The howling wind and drizzling rain
Which through the night their plaintive song have kept
Toward morn have died, yet still remain
The dampened thoughts, which in my mind have crept.

In eastern skies, lead colored clouds
Are rolling on, their fantasque shape outlined
On dark horizon, whence their crowd
Soon fade away, toward other lands inclined.

Then as I watch the travelers flight
And dream to journey over ancient haunts,
A radiant flash of streaming light
Victory spells and storm's last warriors daunts.

Through jagged ribs the sun pours out,
As outlines sharpen on a grateful world,
While dripping trees their branches sprout
And proudly glitter new-born leaves unfurled.

And just to crown this blitheful hour
Lo, rising from beyond a distant hill,
Iris, winged maid, with pagan power
Heralds that hope and faith are living still.

Income Tax Administration

By OSCAR I. KOKE*

(Assistant Manager, Detroit Office)

The people of the United States are divided into three classes: tax producers, tax spenders, and tax collectors, and of these three classes the lowest class is composed of the tax collectors.

"Tax hound" is almost too good a name for the dog whose nose is continually sniffing into your personal affairs, his jaws dripping in anticipation of a big, juicy bite into your bank roll. Perhaps it would be difficult for an ordinary dog's jaws to drip while he is sniffing, but that's the kind of a dog that the tax hound is.

Such is the viewpoint of some, I won't say all of you, who have been anxiously watching the calendar for the date when the statute of limitations expires.

But, have you ever stopped to think that this tax hound is your own dog? Do you realize that you are feeding him and keeping him, and do you think that you would like to kick him out into the street, if you could?

In casting about for that phase of federal tax matters in which you might perhaps be most interested, it occurred to me that a technical discussion would only be of direct interest to such of you as might have been involved in the points that could

be touched upon in the very restricted consideration that could be given here to a subject so extensive and so complex. Therefore, I consider that in a general way you would perhaps be more interested in such insight as I might be able to give you in handling of tax matters by the Treasury Department—particularly in respect to such contact as you may have with the Department officials. Of course, you wouldn't call them tax hounds—no matter what you might think of them—such a name would perhaps be entirely too mild—too inexpressive.

Names are peculiar things. If you were to address one of these gentlemen in the Bureau of Internal Revenue as a tax hound, wouldn't you be surprised to have him react thereto as if greatly pleased with a compliment—wag his tail, so to speak? But why not?

The pronounced characteristics of a hound are loyalty, faithfulness, sagacity, courage and ability to follow a scent—I do not mean the cent which may constitute your last penny.

The officials of the Bureau were put on the pay roll by Uncle Sam because they could be depended upon to answer all tests of devotion to duty.

What I would like to present to you is the true nature and disposition of Uncle Sam's tax hounds—to

*This article is the substance of an address made by Mr. Koke before the Kiwanis Club of Oil City, Pa., on February 28, 1923. We are indebted to *The Oil City Derrick* for this report of the address.

show you what sort of chaps they really are—and how to gain and preserve a friendly understanding with them. I also hope to interest you in measures for securing a great improvement in the technical and administrative handling of your tax matters by the Government.

In my experience in the Bureau of Internal Revenue I have come in contact personally with hundreds of revenue agents and have reviewed thousands of revenue agents' reports. I have been in direct personal contact with many more hundreds of the chaps who sit in Washington and send out those nasty letters for information, those blankety blank—all blank questionnaires. Fact is, I have myself sent out or have had sent out many such unwelcome queries. I shall not touch upon the more distressing letters which politely, if perhaps abruptly, notified you that your additional tax liability for the years 1909 to 1917 was so many thousands of dollars or so many millions of dollars, which you did not have to pay until you received notice and demand from the local collector.

By this time I am sure we have recognized that the tax hound of our former conception is one of Uncle Sam's trustiest servants. Perhaps a little more thought in this direction would enable us to realize even better the trust with which we have charged him.

A large tax producer fails to report income involving one million dollars tax. The expenses of the Government must be met. The total

taxes for the year are just one million dollars short of meeting the expenses (this will happen in the year 19872). That million dollars of expenses must be paid. Who pays it? Each of the other tax producers in pro rata proportion. In short, any proper tax not paid by one tax producer falls upon all the other taxpayers.

What could be more essential and vital to insure justice and equity in the great partnership of tax producers than the audit of the partnership books? We are all partners in Uncle Sam's business. Simple business intelligence demands that our several interests be fully protected by proper audit to ascertain or verify the respective obligations to our common business.

When you engage an auditor to examine the accounts of a commercial partnership, you do not do so ordinarily because you suspect irregularities, but in order to ascertain a fair and equitable determination. If innocently, ignorantly, or otherwise, one or more of the partners, we'll say, has not met his share of the obligations of the firm, placing the burden unfairly on the others, a proper audit will disclose this.

UNAVOIDABLE OBLIGATION

So, also, with our common tax obligations. Failure of a number of tax producers to pay their just share of taxes will throw their proper obligations on the shoulders of the rest of us. The amount may easily run into several hundred millions of dollars each year.

Of course, we can admit that the Government machinery could be greatly improved upon—the same thing is undoubtedly true of many other organizations. Laboring under its limitations of appropriations, handicapped otherwise by restricted ability to attract and retain competent men in its organization, the functioning of the income producing Bureau of Internal Revenue is naturally far from what it should be.

What, in your opinion, would be a commensurate salary for the manager of a business with an income of several billion dollars? Is it a \$50,000 job—a \$25,000 job? Consider this, and then find out what you are paying for the services of the person who holds that position in the bureau. You cannot fail to appreciate that to a man of proper qualifications the position offers only a stepping stone to something far better.

Do you know how many men in the higher administrative and technical positions have left the Bureau in the past five years? Investigate, find out, then you will appreciate one of the greatest reasons, if not the greatest, why you have had occasion to feel dissatisfied with the handling of your tax matters, and do not fail to recognize that the remedy lies not with the Bureau of Internal Revenue, but is in your own hands.

Our federal tax matters have been troublesome; tremendously troublesome; they have been annoying, irksome; they have been fatal, in not a few instances, to the maintenance of the financial stability of

the tax producer. In a great many instances, the delay and uncertainty attendant upon the adjudication of cases of tax liability has had a very detrimental effect upon the conduct of business. Is it not clear that if it had been possible to maintain an organization in the Bureau of Internal Revenue composed of a properly qualified personnel, the tax burden in this very harmful aspect would have been far, far lighter?

I can cite many instances of my personal knowledge where in the handling of a large tax case involving weeks and months of concentrated mental effort to arrive at a proper determination of liability, three, four, five, six and seven auditors have succeeded each other in charge of the case, owing to their predecessors having been able to secure more adequate compensation for their abilities from outside sources. The results are obvious, so far as the work of the Bureau is concerned.

Is it necessary to remark that if you desire satisfactory service in the adjudication of your tax matters by the Government, the remedy is in your own hands? Legislation must be obtained which will attract and retain competent men in the administration of the Federal tax laws which so vitally, so directly, affect each one of us.

MEN OF HIGH TYPE

I would say that in my experience the personnel of the Bureau of Internal Revenue, though naturally limited in experience, to a large extent, is of a very high type, and in prosecuting the interests of Uncle

Sam the thought is preserved that those interests are the interests of yourself—of every tax producer.

Having viewed the operations, or rather the operatives, of the Bureau of Internal Revenue from the outside, and having, I trust, found them to be fairly up to the test of loyal, devoted servants to Uncle Sam, let us reverse our viewpoint and observe ourselves as from the eyes of the revenue agents and auditors of the Bureau.

To the vigilant eyes of these tax hounds the tax producers are divided into two classes; those who come with clean hands, and those who do not appear to do so.

In the first class are placed all those who, in their tax returns; in replies to requests for information; in claims filed; and in conferences; evidence an intention and desire to present the actual facts fairly and clearly. For this class the Bureau officials will certainly have the liveliest feelings of helpfulness in the fair adjustment of taxes.

While the other class, of course, includes those who intend to evade tax liability, by far the greater portion have no such intention whatsoever, but desire fully as much as the first class to pay their just share of tax. But—because of failure to present essential information called for promptly and fully, they fail to evidence that open-handed attitude which would have brought them into the first classification. Their attitude may be—‘If you want this in-

formation, come and dig it out yourself.’

Such an attitude cannot fail to create the suspicion that there may be something to conceal. In further communications and other contact that feeling persists, and may perhaps be overcome only by the submittal of absolutely incontrovertible evidence. Anyone who has had experience in tax matters will appreciate the difficulties of presenting evidence which cannot be disputed to some extent if the feelings of the departmental officials are unfavorable.

In making decisions on questions of judgment—these more frequently than questions of law or of absolute fact—department officials are necessarily influenced by the impressions gained in contact with the taxpayer or his representatives.

If the officials feel fully satisfied of the good faith of the claimant every consideration will be given to his plea; indeed, I might cite many cases where auditors of the department went out of their way to assist a taxpayer, who had not perhaps been properly advised, by indicating points in the case not considered by him which, upon proper presentation, would merit a considerable reduction in tax liability.

Such instances show the manner in which the officials of the Bureau are interested in measuring out the correct amount of tax liability where the good faith of the parties is evident. Lacking evidence of good faith, the compelling thought may

easily be that consideration of possible relief should be confined to the point presented in the claim.

On the other hand, it has been my experience that tax producers are sometimes inclined to be averse to making claims where the taxes paid are substantially greater than the correct amount, because, in their ignorance as to the proper determination of the tax, they fear to be considered as desiring to evade tax. Such a disposition will, of course, quickly yield to a proper understanding of the matter.

We have now considered the handling of tax matters from the viewpoint of the tax producer who submits his return, and also from the viewpoint of the Bureau officials who receive the return. The substance of the thought I have attempted to present is that cooperation with the Government officials will assure the securing of every consideration in connection with any questions arising in the determination of tax liability.

If you are not certain whether a particular item is deductible under the law and regulations, treat it as deductible, submitting a full explanation thereof. If you believe you have a meritorious claim, make the best possible presentation thereof with all essential data. It will be considered with fairness, if not with sympathy.

But if you evidence in any manner a disinclination to disclose essential information, your case may quickly be prejudiced and favorable consideration limited to such matters

as are absolutely indisputable. It will be understood, of course, that an unfair, adverse decision may be overcome, or an unreasonable, hostile attitude may be the cause for an administrative appeal, but it is only rarely that such treatment will be encountered.

I would now briefly direct your attention to some of the principal sections of the revenue acts, which are intended to give a proper adjudication to tax liability and are so administered, but which are not generally understood in their full application. I refer particularly to Section 210 of the expiring 1917 act, and Sections 327 and 328 of the Revenue Acts of 1918 and 1921.

These sections have been incorporated in the revenue acts for the express purpose of giving relief in meritorious cases which do not offer proper adjudication under the general sections of the acts. To one who does not understand the far-reaching application of these provisions and the comparatively large number of cases which are justly entitled to relief thereunder, the provisions will appear restricted to only a comparatively few cases.

It appears proper to bring to your attention the fact that the mere reading of the provisions of these sections, and also of the regulations, will by no means offer full insight into their application.

A thorough understanding of the wide application of these provisions would be impossible without protracted study, but I would say in general that if, in any manner, a tax

producer has obtained a large taxable income which was substantially greater than the average return on capital in the line of business concerned for any profits tax year, the indications are that this may be due to one or more of the unusual conditions which are comprehended and recognized as affording relief from the resulting high tax; the basis of relief being the tax paid by other concerns in the same or similar lines of business.

Manifestly, it is not the intention of the Government to give relief in one case because the tax producer has been advised as to the propriety of claiming assessment under the provisions of these sections and not to give it in a case exactly identical where the tax producer has not been advised of the application of these sections. But it is equally manifest that the tax producer must take the initiative—must advance the claim in proper, intelligent presentation of such right to relief.

The law recognizes that the deduction from income for depreciation shall be based on the value of property March 1, 1913, if acquired prior thereto. It is further recognized in departmental rulings that a retrospective appraisal of assets by competent parties many years later, but in the light of condition as of March 1, 1913, would be satisfactory evidence of the March 1, 1913, value. Has every tax producer who acquired property years before March 1, 1913, possessing a value on that date far in excess of

cost, established the value of such appraisal and obtained the greater deduction from taxable income on that basis instead of on cost?

The same consideration obtains generally with respect to the sale of assets acquired prior to March 1, 1913.

I cite these instances only as indicative of the clear-cut rights of tax producers which would not be apparent without a study of the tax laws and rulings.

In anyone who has had extensive experience in the application of the tax law in all its phases, a feeling of sympathy is evoked for the many thousands of tax producers who have not determined their tax liability in the light of the fullest understanding of the restrictions and relief measures of the tax laws.

In concluding my remarks I would summarize them as follows:

Recognize the revenue agents and auditors as employed in your interest—for your protection.

Realize the need of proper provision for retaining and attracting competent men for the tremendous responsibilities of the revenue service.

In your tax returns, replies to inquiries and claims, give fullest presentation of facts, supported, when necessary, by proper legal argument.

Study the tax laws, rulings and court decisions so that you may not be paying, or that you may not have paid, a tax greater than provided for by the law.

Commercial Value Including Tangible and Intangible Assets

By GEORGE H. DAVIS
of Ford, Bacon & Davis, Inc.

Commercial value of a going business is of vital importance to (a) Controlling Owners, (b) Bankers and Brokers, and (c) Investors.

It is often clumsily measured by the amount paid for securities on the exchanges, the market registering the composite guess of investors.

The average investor in the securities of the larger corporations has little information on which to base his comparisons of values and prices. If he makes any investigation relating to his prospective purchase, it is usually superficial, generally based upon published statements. At most, a few hundred dollars are spent by him in determining upon an expenditure of a relatively large amount, often his entire savings.

If there are 5,000 investors in a corporation's stock and each has spent \$50 in obtaining his investment information, a total of \$250,000 will have been spent. Such a sum is sufficient, if co-ordinated, to completely determine reliable business or commercial values of the larger enterprises.

The law of change prevails in business as elsewhere. The great fluctuation of values on the exchanges is generally due to a lack of knowledge of past and prospective conditions of the business, such as changes in:

(a) Quality of the management.

(b) Plants.

(c) Quality and marketing of products.

The commercial value of a property, from the standpoint of controlling owners and minority investors, should be periodically determined. This valuation would be in effect an analysis of the business, bringing out all its advantages, and disadvantages covering its policies, operation plans and its status.

An accurate and well founded estimate of the commercial value for permanent investment is the result of an extremely difficult process, involving an exhaustive study of all the direct and collateral considerations and criteria of the business, and requiring a broad business and technical experience, including a complete and intimate working knowledge of the principles and methods of the business in question.

Within commercial limits, going business value is measured by:

(a) Established earning power, past and prospective, and includes

(b) The value-in-use of the physical assets.

In practically all businesses, intangible assets are the major portion of the worth of the business; in fact, the most real of the two principal asset divisions of value here noted.

Assuming approved accounting, the principal criterion of value of a

business, as stated, is the percentage earned on the prospective purchase price after deducting:

(a) Operating expenses, including maintenance.

(b) Depreciation, including obsolescence, supersession and physical deterioration.

(c) Reserves for contingencies, and

(d) Taxes—Federal, State and Local.

Such a valuation should take into consideration:

(a) Average results of five years' past operation.

(b) The results of the operation for 12 months immediately preceding date of purchase.

(c) The estimated results of operation for a reasonable period, probably of 5 years, following the date of purchase.

Some of the principal items of value and the conditions which should be especially desired or noted by purchasers are:

(a) The net quick assets of a company. The merchandise inventory should include only such merchandise items as can be disposed of for cash.

(b) The sales department employed by a company should be such as to reach:

1. Consumers in all geographical locations, and

2. A large number of individual customers. Any business having only one or two customers should be avoided.

(c) The business should maintain an able, complete, self-perpet-

uating organization of young, reliable officers and employees, also

(d) A designing and developing department for the production of new and improved products, thus meeting the constantly increasing requirements of consumers.

(e) Competition. The greatest profit is realized in specialty products, based upon good trade names, trade marks, patents, etc.

Some of the other special features of a business to which earning power may be attributed are listed as follows:

(1) Established market and merit of product.

(2) Independence of protective tariffs and other forms of taxation attached to special industries.

(3) The availability of labor, skilled and unskilled. The business requiring a minimum of labor and a minimum of skilled labor has a distinct earning power advantage.

(4) Ample sources of raw materials. The business having available a large amount of raw materials of a relatively inexpensive type has an advantageous earning power position.

(5) A product that is not a necessity, which will, therefore, not be subject to governmental regulation as to production, price and distribution.

(6) A minimum tonnage both of raw materials and manufactured product, thus eliminating transportation difficulties and large freight payments.

(7) Extent to which a product is seasonal in demand.

(8) Extent to which a product may be cheaply transported and stored without deterioration.

(9) A product that is constantly in demand, quickly used and completely consumed, resulting in a continuous renewal of orders and particularly the continuance of the same customers over indefinite periods.

(10) A nominal cost of the product to an individual consumer in comparison with other living costs.

Constructive criticism with recommendations, either of approval or disapproval, from competent external sources, is a necessity in commer-

cial as in other activities. A comprehensive commercial valuation of a business implies a review of men, machines, policies, plans and possibilities. It includes under consideration every circumstance, tendency, feature or item of the business in its relation to past and future utility, stability and earning power.

The use of comprehensive valuations, which have been reliably produced, is a new departure with many of the great constructive banking interests. If these interests dealt only in future certainties, it is obvious that they would sustain no important losses. Exhaustive analyses, however, of past and proposed undertakings go far to clear the future for the best forevision humanly attainable.

When Accounting Does Not Pay

A prominent denizen of Wall Street, who summers at a fashionable seashore resort, was annoyed on his return home to receive a bill for a few small trinkets for which he was sure he had paid previous to his departure. Having always prided himself upon his efficient business methods, and since the same store had done the identical thing the year before, he wrote a rather scathing letter to the storekeeper, giving his opinion in general and in particular to the man who employed methods which were the direct antithesis to his own. The incident soon slipped his mind and was not recalled until

the following summer when he happened to pass the store. His ire having cooled, he determined to give the storekeeper some friendly advice.

"Well," said the shopkeeper in reply to his lengthy discourse, "we don't keep any books, and, to tell the truth, it pays us not to. For example, last summer I sold a saddle, but when it came time to make out the bill I couldn't for the life of me remember who had bought it. I finally narrowed it down to four people, and sent them all bills. As a result, I was paid by three of them; so you see there is no necessity for our keeping books."—*Wall Street Journal*.

Wants Accountants Named as Receivers

(Reprint from NEW YORK TIMES of March 20, 1921)

Assistant District Attorney James J. Wilson, in charge of the prosecution of frauds, told the members of the New York State Society of Certified Public Accountants, at the Waldorf-Astoria Hotel last night, that the Bankruptcy act should be amended to eliminate attorneys as receivers and trustees and to provide for the appointment of certified public accountants to do this work at reduced cost and for the general benefit of creditors.

"If this were done creditors generally would stand a better chance to get something," said Mr. Wilson. "In one expensive receivership there was left for distribution to the creditors exactly six mills on the dollar. The creditors were called together and the situation announced, whereupon one indignant man exclaimed: 'Forget it; I'll take a cigar.'"

"Recently a fee of \$25,000 went to a lawyer-receiver, who appointed another lawyer to act as his counsel, who also got \$25,000, and the public accountant, who really did practically all of the work, got a similar amount. If the Court had appointed an accountant as receiver he could have done the work equally as well on his own responsibility."

Mr. Wilson said the Southern District of New York has a little group of certain attorneys who are known as the "Bankruptcy Ring," and another small group, he said, has a monopoly of receiverships. "Lawyers may not look kindly upon my suggestion," he said, "but I have in mind the interests, not of the lawyer, not of the certified public accountant, not of the bankrupt, but solely the interest of the creditors."

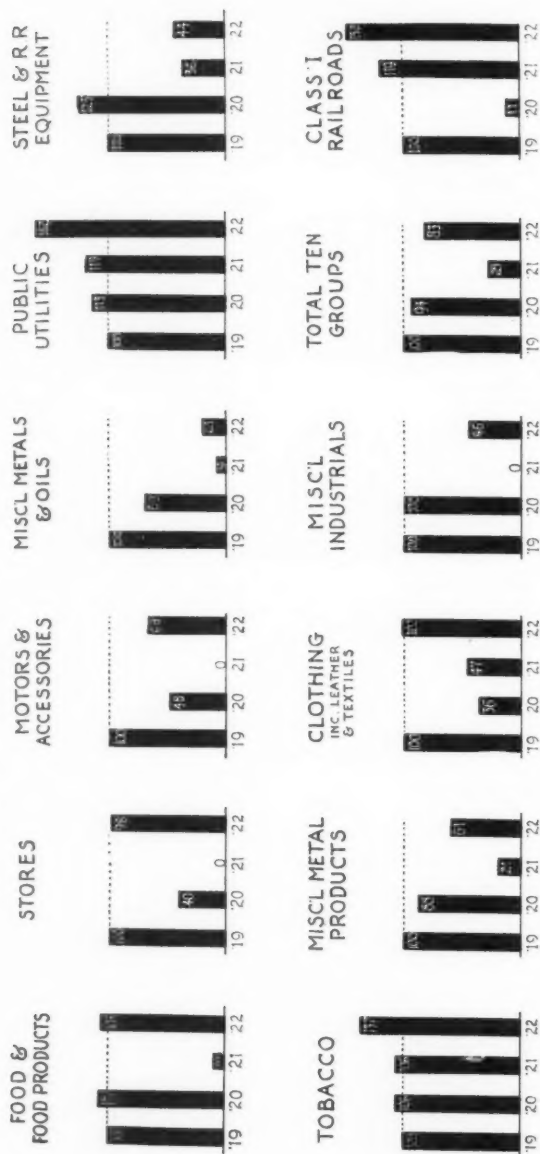
Thrift the Basis of Civilization

The very foundation of the advancement of civilization lies in thrift. It means the foregoing of things that we may want for the moment in order that better things may be had for the future. And as we dignify thrift we demonstrate what it means nationally, what it will mean in the future; when instead of devoting the result of this thrift to destruction we have the same thrift

devoted to upbuilding. The people are going to comprehend that with the increase of capital the demand for labor must increase, and the rewards of labor must be greater. This word "thrift" is going to be dignified. We are all going to understand better that individual character will measure the greatness of the nation much better than numbers.

—F. A. Vanderlip.

Business Profits for 10 Groups 1919-1922



The above diagram is reprinted from the March *Monthly Review* of the Federal Reserve Bank of New York, and affords a very interesting comparison of earnings in different lines of business over a four-year period.

In taking a total, the dollar figures in each group have been added without any attempt to weigh the figures. It should be borne in mind in interpreting these data that they are simply for a group of concerns (122 manufacturing

and merchandising concerns and the Class I railroads) figures for which were available and are not necessarily typical of all concerns which deal in the products represented. In a few cases where it has been necessary, fiscal years not corresponding exactly with the calendar years have been used.

Computations of net profits have been before dividends, but after all fixed charges and tax deductions.

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The purpose of this journal is to communicate to every member of the staff and office plans and accomplishments of the firm; to provide a medium for the exchange of suggestions and ideas for improvement; to encourage and maintain a proper spirit of cooperation and interest and to help in the solution of common problems.

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"Commercial Value"

Elsewhere in this number is an article on "Commercial Value, Including Tangible and Intangible Assets," written by Mr. George H. Davis, of the well-known engineering organization of Ford, Bacon & Davis, Inc. Mr. Davis presents in condensed form a number of interesting and thought-provoking ideas. For example, most people would think

that the most desirable kind of business from the standpoint of stable and consistent earning power is one for the manufacture or distribution of some product or commodity which is a general necessity. Mr. Davis, however, in stating some of the special features of a business to which earning power may be attributed, suggests a product that is not a necessity and which will, therefore, not be subject to governmental regulation as to production, price and distribution.

Our thanks are due Mr. Davis for the courtesy of his permission to present his article in the L. R. B. & M. JOURNAL.

Working Yourself to Death

We sometimes hear of people who work themselves to death, just as we hear of ghosts and man-eating serpents. And all the time we know "there ain't no such thing."

For one man who works himself to death, 10,000 die from lack of exercise, overeating, late hours, or avoidable worry. Fatalities from overwork or from hiccoughs are about equally rare.

Work develops; work stimulates; work strengthens; work lays a corner stone in the success-structure whose place cannot be filled by a substitute.

Hard work will not at all take the place of judgment, thoughtfulness, tact, nor an earnest purpose. Added to these, however, it always means a successful career.—*Service.*

An Unpleasant Subject

By N. B. BERGMAN

(New York Office)

"Run a moist pen slick through everything and start afresh."—Dick Swiveller in "Old Curiosity Shop."

IF there is any topic in which less interest is evinced than in thrift, it will be appreciated if the information is sent to the writer. (All suggestions for subjects of less interest than thrift will be barred if they include this writer's contributions to L. R. B. & M. JOURNAL.)

Truth is a homely old dame and is handled pretty severely at times, but she is still popular with a large class of substantial people. Perhaps thrift is going to be popular again along with the general revival of the old copybook "stuff."

On December 28, 1922, the National City Bank had a full page ad in the newspapers. Although it was an "ad" of the savings department of the institution, a lot of plain truths were incorporated; very much the way Benjamin Franklin used to "put across" his homely philosophy.

With a full sense of both the good and the evil consequences, of the proper or improper use of money, I think the following, from the bank's advertisement, referred to, is worthy of note:

"Remember that a pass book is the only dream book in which dreams come true."

There is something very disagreeable about an individual whose sole idea in life is to accumulate money. On the other hand, there is something pathetic about the person who is unable to set aside some small amount at intervals.

Apart from the general peace of mind (making for better work) which comes with the habit of saving *something*, it is only the person who has something to give who can satisfy the

wish, inherent in all humans, to do kindly acts. Pity for the poverty of one we wish to help is of no avail without the wherewithal to afford practical aid. "Thrift is simply common sense applied to spending" is a saying which is being used currently.

A thrifty individual does not borrow money. It is true that borrowing is a recognized commercial practice where the borrower's credit is good, but the lender is practically secured if we consider the procedure in making bank loans. Your chronic borrower on his unsecured word, however, is in a class by himself. He is the arch optimist who would be about a month ahead of payday if he were allowed to be. To him we commend Mr. Micawber, of "David Copperfield." "Annual income, twenty pounds; annual expenditure, nineteen pounds, nineteen shillings; result, happiness. Annual income, twenty pounds; annual expenditure, twenty pounds and sixpence; result, misery."

Some very fine friendships have been interrupted by chronic borrowings. Likewise, some very fine positions have been lost as a result of borrowing to the extent that the party borrowed from did not know anything about the loan. It would be pretty difficult to find a more potent cause of crime than carelessness in the matter of money.

"Neither a borrower nor a lender be, for loan oft loses both itself and friend and borrowing dulls the edge of husbandry."

The foregoing from one Will Shakespeare indicates that someone may have "put one over" on the bard when the wassail bowl had roused the more generous impulses in him.

There is a belief current among a large number of people that anyone saying a kind word for capital is be-

yond the pale of decent society. Capital is really anything more than nothing, so that a man who has saved one hundred dollars more than required to meet his obligations is a capitalist. Men who have accumulated a competence generally are good citizens—industrious, thrifty, charitable and, above all, truthful. These qualities are necessary to keep the social plan well-balanced and are engendered by the self-sacrifice required to get ahead of want. A Confucian proverb has it, "Seeing an opportunity to make money, all should think of righteousness."

A budget has been found to be of value in the management of one's affairs. The writer, however, inclines to the belief of the individual who inscribed this sentiment upon the curb of an old well in the Orient: "In your requisitions be guided by economy," as producing as good results as a budget.

The present is a very good time to put aside something. The times are out of joint and optimism as to the future is not going to help nearly as much as is the setting aside of a few plain dollars—one dollar at intervals is better than nothing.

There are homes of wealth where true love does not enter. There are homes where plain fare is the rule and where true love is ever present. Misfortune has strengthened ties and wealth has been known to weaken them. But the love a man's family has for him cannot long endure where poverty is needlessly known to persist.

Having availed myself of the aid of various other writers in order to point a moral, I crave the privilege of quoting Robert Burns, who, though not blessed with an abundance of this world's goods, had experience to guide him in his writings. In his opinion, wealth should be used—

"Not for to put it in a hedge,

Nor for a train attendant;

But for the glorious privilege

Of being independent."

Should any reader desire to know what special qualifications the writer possesses to qualify him as an adviser on this subject, he is referred to the story of the man who had failed utterly at everything and finally wrote a book which had a great sale. The title of the book is "Why Men Fail." He knew!

When Bookkeepers Ruled Their Own*

When we open a new ledger we think of the operation as a modern business procedure. We often have little idea of the history behind both the method and the means of this detail of business effort.

As a matter of fact, bookkeeping has indeed an ancient and honorable history. Back into the dim ages of human life goes the thread of its development. When Babylonia was the mistress of the world, 2600 years B. C., men conducted commercial enterprises and kept business records. Scientists have found clay tablets inscribed with data of the

affairs of the sons of Egibi, ancient Babylonian bankers. Papyrus rolls containing the written accounts of ancient Egyptians have been uncovered. Hundreds of instances have been found to show how, since time began, man's instincts have lead to business and business records.

Not until 1340 A. D., however, are there traces of some of the modern development of bookkeeping. At that time double entry was first introduced by the Doge of Genoa, in the municipal accounts. A little later in 1410 the merchant firm of Donado Soranzo and Bros. kept two ledgers, which have been preserved and show extreme care and

*Reprinted from *Tidings from Brewer's* a stationers' publication in New York.

surprising progress. In these records every debit has a corresponding credit and the goods accounts are closed with a profit and loss balance.

The first complete treatise on the subject of bookkeeping was written by Fra Luca Paciolo in 1494. This monk of Venice described many methods that have held good to the present time. He first emphasized the fundamental bookkeeping principle, "For every debit there must be a credit." He also introduced the subdivided index.

But in these early stages of bookkeeping history and for many years afterward, the progressive accountant had to literally "rule his own." He was furnished models by such authorities as Paciolo, on whom he relied greatly for such knowledge as was available. Thus, in 1636, one man writes, "I then set my course into sev-

eral stationer's shops, there gazing about me to view what the laborious artist had acted or divulged in print for the assistance of merchandising."

Since that time, with the growth of business and the resulting need for improved business records the modern ledger has been worked out. Ingenious machines for doing away with the old hand-ruled pages have been perfected. A visit now to a modern bookmaking plant would disclose some wonderful methods of producing modern accounting books, and machines would be seen which would make it possible to rule a multi-column sheet in one operation. The accuracy and uniformity, as well as the labor saving that is affected by these modern bookmaking methods have taken away a large share of the ancient bookkeepers' drudgery and have made modern business records of utmost value for commercial development.

Why is London's "Wall Street" called Lombard?

In medieval days there lived in London a number of wealthy Italian merchants, who had come to England, either fleeing from persecution or attracted by the prospect of profit.

To picture these merchants as forerunners of modern banking is difficult, especially when we look about us and contrast the surroundings in most modern banks with the harsh conditions under which they labored. For we learn that "their meetings were unpleasant and troublesome by reason of walking and talking in the open street, being there constrained to endure all extremities of weather." Or, as another

historian says, "they were forced to stand or walk in the rain more like peddlers than merchants."

In the first place, they were not bankers. Essentially their business was trade in commodities such as the buying of English wool for export to Italy. And as they were also collectors of the Papal revenues, the drawing of bills of exchange was obviously a natural by-product. But this side of their business grew to such proportions that eventually "the tail wagged the dog."

These men were Lombards. The street where they did business is still London's money market, Lombard Street.

It Seems to Me

By HEYWOOD BROWN

(Reprinted from NEW YORK WORLD)

THIS is a queer Government. We have the Treasury Department particularly in mind. About a month ago we received a friendly letter from one of the officials in which he pointed out to us that in settling our income tax for 1920 we had sent the United States \$1.59 too much. The letter ended with a rather sharp request that we explain why we did it.

The answer took a good deal of time. It was necessary to go back to our early life and to explain the various factors which caused us to be the careless person we are today. "The trouble with us," we began—but perhaps that is a matter which should remain confidential between us and the Government.

It was a very long letter. In the cause of it we confessed our inability to make a check book come out right and described our system of calling at the bank every once and so often to ask the man at the window about our balance. It isn't a perfect scheme. In order to have the answer at all useful it is necessary for the depositor to refrain from issuing any checks for several weeks in order that the report may accurately cover his status. Still, it is an adventurous life. Upon occasion we have discovered ourselves to be more than \$200 richer than we had imagined. Usually it turns out the other way, but we beat those disappointments by always forcing oneself to believe that we have \$100 less in the bank than we actually think is there.

It seemed to us necessary to give the Government some sort of a background if it was to understand the case thoroughly. After the first 4,000 words we grew more specific and explained that we lost all record of what we paid the United States immediately after sending the first installment. We assumed

that our letter had covered the entire ground and that the matter would be allowed to rest. Imagine our horror to receive this morning the following communication:

Your letter in reference to overpayment of \$1.59 is hereby acknowledged.

If you will kindly furnish this office with evidence of payment, such as canceled checks or receipts, we shall then be in a position to take up the matter and make an adjustment.

Respectfully,

FRANK K. BOWERS.

In other words, the Government first tells us that we have paid too much money and then asks us to prove it. Our only desire is to let the whole thing drop. We have no desire to force the issue and become another Dred Scott. If the matter ever gets to Congress there would be no limiting the scope of the inquiry.

We suppose the Treasury is worried because its accounts don't balance on account of our bad bookkeeping. Well, let them have a try at our way of doing things. Why doesn't the Collector stop at the paying teller's window some morning and ask him how much money he's got in the bank?

The \$1.59 would come in very handy, to be sure, but we can't begin to prove the case. The job of finding those checks and receipts would require excavation work before which even the discoverers of the tomb of King Tutankhamen would tremble. It wouldn't pay. After all, we have managed to console ourselves with the thought that in the long run \$1.59 won't matter. It will even up at the end of the year. What is it but fifteen boxes of cigarettes, a highball, or a sucker call? We refuse even to attempt to prove our case. Instead, we shall merely plead guilty and throw ourselves upon the mercy of the Government.

What the Well Dressed Accountant Will Wear

By J. A. FINN

(New York Office)

While it is the inalienable right of every citizen of these our United States to dress as he pleases, we venture to make the following suggestions to the members of our staff on this important subject of the *à la mode* of the accounting profession.

Although serge, homespun and pepper-and-salts are the season's vogue, checks are staple with us the year round. For patterns, see Instructions to Our Staff. The well-posted accountant will favor a light check on a figured ground. On vouchering days a solid check is conservative. Some prefer to cling to a plain tick, season in, season out, particularly in cotton goods houses and mattress factories. For those guileless ones who fall for second-hand automobiles, last year's Palm Beach, neatly sponged, pressed and de-shined will once more serve to encase the shrinking form.

Theatrical waistcoats, chamois spats and diamond horseshoe pins should be carefully concealed or removed when entering the office of a foreign missionary client. Gray silk gloves, while swagger in small towns of the Middle West, are to be worn during metropolitan engagements on dark nights only and then on side streets. Flannel trousers are much fancied in slaughter houses, printing shops and allied industries. Among

those accountants who haunt the wilds of the bulls and bears, fleecy cloths and taped seams are highly regarded. On hotel and Turkish bath investigations long nap fabrics are preferred.

For shirts, pencil stripes are perennially recommended, green, blue, brown, red, black and sometimes slate. Wing collars we note now and again encasing or giving vent to the Adam's apples of some of our Beau Brummel seniors. We remind them that success rides in closed collars. For soft collars gold safety pins are again ultra. To those whom Santa Claus failed to favor, the stock room will be glad to furnish a supply of those natty little platinum working-paper staples. Red cravats worn with lavender shirts are considered by the more conservative as savoring rather a bit of the futuristic school. Arm bands are out of favor with all except those who seek to preserve a rustic atmosphere in the city's swirl.

The use of bandoline, vaseline or brilliantine on the hair depends on whether one wishes to appear imperturbable, or to give ocular evidence of pondering great problems. If the latter, mussed or slightly askew locks make an effective stage setting. The pineapple haircut is a tonsorial effect a bit too severe except to offset large

ears, or on protracted audits of tropical fruit companies, sporting clubs, musical organizations and the like.

Mustaches of the irresistible or butterfly type, high-water pants, hair-ribbon neckties and yellow button boots are permitted in blind asylum investigations only.

For the meticulous gentlemen of the profession who always dress for dinner our London scout suggests a velvet dinner-smoking jacket to be donned when the demitasse has been sipped and the hour cometh for getting to work on that report which

must be in the hands of a partner in the morning. If pearl studs are worn at dinner these should now be removed and a neat, plain gold stud substituted. If the latter are not to be found in the wall safe or under the chiffonier, the stock room may again be called on for a set of those priceless little Magill fasteners.

The wives and offspring of accountants, as usual, will wear their last season's raiment, variously camouflaged, tintexed, remodeled and otherwise made the best of. Woman's place is in the Home—for Destitute and Spendthrift Auditors.

Rothschild's Maxims for Young Men

The following is a copy of the alphabetical list of Maxims framed and hung in Rothschild's bank. Baron Rothschild used to recommend these rules to the young men who wished to "get on" and achieve success in life.

Attend carefully to details of your business.

Be prompt in all things.

Consider well, and then decide positively.

Dare to do right, and fear to do wrong.

Endure trials patiently.

Fight life's battles bravely, manfully.

Go not into the society of the vicious.

Hold integrity sacred.

Injure no man's reputation or business.

Join hands only with the virtuous.

Keep your mind from evil thoughts.

Lie not for any consideration.

Make few acquaintances.

Never try to appear what you are not.

Observe good manners.

Pay your debts promptly.

Question not the veracity of a friend.

Respect the counsels of your parents.

Sacrifice money rather than principle.

Touch not, taste not, handle not strong drink.

Use your leisure time for improvement.

Venture not upon the threshold of wrong.

Watch carefully over your passions.

Extend to every one a kindly salutation.

Yield not to discouragement.

Zeal—practice it daily.

The Pittsburgh of India

Ordinarily one would not expect to turn to a foreign missionary publication if looking for news notes of particular interest to the accountant or business man. Recently, however, in glancing through "On the March"—a résumé of developments in the home and missionary work of American Baptists during the past several years—the following paragraph caught the writer's eye and seemed of possible interest to the readers of the L. R. B. & M. JOURNAL.

In Bengal-Orissa an entirely new station has been opened at Jamshedpur, one of the most interesting cities in all India. In 1908 Jamshedpur was a barren desert with a few mud huts. Today it has a population of 100,000 and is one of the most modern and up-to-date cities in the Indian Empire. Its phenomenal growth is due to the establishment there of the Tata Iron and Steel Company, a native organization which has 44,000 on its pay roll, 4,000 more than the reported pay roll of the Western Electric Company in the United States. This company is turning out about 1,500 tons of finished product daily. Jamshedpur is called the "Pittsburgh of India." Here is a field which both needs and responds to earnest missionary effort. Appropriations have been made for a church building and a pastor's house, in addition to a missionary bungalow al-

ready put up. The land was given to the society (American Baptist Foreign Mission Society) by the Tata Company.

The October, 1921, issue of the L. R. B. & M. JOURNAL contained an article about the steel plant above mentioned which was written by Mr. W. E. McHenry, who was at one time a member of our New York office staff. Mr. McHenry spent some six months or more in India at the Tata plant.

"Set a time limit for accomplishing tasks. Strict adherence to this homely principle yields amazing results."—Charles M. Schwab.

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